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News Release

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NEW SIMPLIFIED CUSTOMS TARIFF PROPOSED

Finance Minister Paul Martin announced today the launching of public consultations on a proposed new simplified Customs Tariff to come into effect in 1998.

The proposed new simplified Customs Tariff is aimed at improving the competitiveness of Canadian manufacturers by reducing their input costs and lessening the regulatory burden on industry through steps to streamline legislation, including the elimination of over 300 regulations.

"Trade has been the single most important factor in creating jobs and growth in the past two years," Mr. Martin said. "We want to build on that success by introducing a new simplified Customs Tariff that will make Canadian manufacturers more competitive and provide industry with a more predictable tariff environment for making production and investment decisions."

The Government announced in the 1994 budget that it would undertake a three-year comprehensive review of Canada's tariff regime to make it more responsive to competitive pressures facing Canadian industry as a result of freer trade. Mr. Martin said the new Tariff "will lessen the regulatory burden and costs to the private sector and the government by making the system simpler and more transparent."

The government has already undertaken public consultations on six different sets of proposals over the past two years. One of the proposals -- tariff reductions on a wide range of manufacturing inputs -- was implemented, effective June 13, 1995, as part of Bill C-102 to help Canadian manufacturers compete more effectively in both domestic and foreign markets.

The proposed new simplified Customs Tariff incorporates the tariff reductions on manufacturing inputs and the other initial proposals, adjusted to reflect the outcome of previous public consultations, as well as new proposals to consolidate the tariff schedule and revise the legislative text.



The Minister stressed the importance of receiving input from all interested parties to ensure the objectives of the simplified tariff are met.

To encourage the broadest possible consultations, the Government is publishing a notice in the Canada Gazette reporting on the results of the consultations to date and outlining the new proposals. The detailed proposals will be issued to interested parties and can be accessed through Revenue Canada's Customs Information Service Electronic Bulletin Board, or from the Tariff Simplification Task Force at : (613) 992-6885.

A backgrounder on the proposal is attached.

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Release available on Internet at
<http://www.fin.gc.ca/>

Text of Gazette Notice also
available on Internet at
<http://www.fin.gc.ca/>

BACKGROUNDER ON PROPOSED SIMPLIFIED CUSTOMS TARIFF

The proposed simplified Customs Tariff incorporates the tariff reductions on a wide range of manufacturing inputs implemented last June as part of Bill C-102, and the initial proposals on:

- the elimination or conversion of concessionary tariff codes;
- the termination of the Machinery Remission Program;
- the conversion of some specific rates; and
- the elimination or replacement of tariff regulations.

These proposals have been modified to reflect the outcome of previous consultations with the private sector. The proposed Tariff also incorporates new proposals, as set out below, most of which were highlighted in the 1994 budget.

The New Proposals:

- (1) the modernization and simplification of legislative provisions, including the termination of the British Preferential Tariff;
- (2) new or expanded Order in Council authorities to rectify errors and omissions and to reduce duties on inputs, including machinery, for the manufacturing and service sectors;
- (3) the harmonization of rates (usually at the lowest levels) on certain competing goods to create a level playing field for producers and importers;
- (4) the rectification of tariff anomalies to ensure that inputs are not dutiable at rates higher than those of further manufactured products;
- (5) the rounding down of decimal rates to the nearest half percentage point (to reduce their multiplicity);
- (6) the elimination of rates below 2% (mostly affecting inputs) which do not provide any meaningful protection but represent an administrative burden; and,
- (7) the amalgamation of tariff lines (usually at the lowest rate and where there are no significant domestic sensitivities or international constraints) where rates are the same, rate differentials are small (generally less than two percentage points), imports are insignificant, or the goods are inputs.

The government is also proposing to accelerate to 1998 the implementation of the final Uruguay Round tariff reductions scheduled for January 1, 1999. (This would not affect reductions that go beyond 1999, mainly in the agricultural, textile, steel and apparel sectors.)

The Overall Results

The proposed new Tariff would achieve the competitiveness and simplification objectives of the review of Canada's tariff regime as follows:

- Production costs have already been lowered by the tariff rate cuts on a wide range of manufacturing inputs. The cost competitiveness of the business community would be further enhanced by reducing rates on an additional range of inputs, by eliminating "nuisance" rates (those under 2%), by amalgamating tariff lines at the lowest rate, and by eliminating the "not made in Canada" conditions in a number of duty-free provisions.
- The tariff system would be made simpler and more transparent and predictable, and the regulatory burden lessened, through a range of improvements which would include:
 - the elimination of over 300 regulations, the administrative procedures of the Machinery Program, and the need to obtain "not made in Canada" rulings from Revenue Canada to qualify for free entry under certain provisions;
 - the streamlining of the legislation, a significant reduction in the number of tariff provisions (from about 11,000 to about 8,000), and the achievement of a simpler rate structure through the conversion of a number of specific rates to percentages, the elimination of "nuisance" rates, the rounding down of rates, and the amalgamation of tariff lines; and,
 - the conversion of the Machinery Program, and a large number of codes and regulations, to tariff lines so that most goods would be classified in one Schedule where their dutiable status would be determined, rather than in the current seven Schedules and a wide range of regulations.